

## **VI. FOOD FUNDS MANAGEMENT**

Food funds management involves monitoring cost containment measures and procedures related to infant formula and other food items, the monitoring and management of State agency funding sources, and the accurate reporting of participation figures.

**A. *Cost Containment Measures - 246.4(a)(14)(x)*:** describe the policies and procedures used related to the implementation of cost containment measures as they relate to infant formula contracts, their approval and the processing of infant formula and/or other rebates, and food package cost containment practices.

**B. *Funds Monitoring/798 Reporting - 246.4(a)(12); (14)*:** describe the State agency's funding sources and how food obligations are calculated to allow for inflation, rebate cash management and monthly closeout monitoring activities.

**C. *Participation Reporting - 246.4(a)(11)*:** describe the methods used to accurately document and monitor participation at the State and local level, and methods for monitoring changes in participation by priority.

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### **A. Cost Containment Measures**

#### **A. COST CONTAINMENT MEASURES**

**1. The State agency seeks FNS approval related to infant formula cost containment measures (check one):**

- ☐ for a waiver of the requirement for a single-supplier competitive system. State agency must complete a cost comparison projecting food cost savings in the single-supplier competitive system based on the lowest monthly net price or highest monthly rebate (as required in Section 246.16a(c)(3)(iii) and savings under an alternative cost containment system, Section 246.16a(d)(2)(B)
- ☐ to issue an infant formula bid solicitation that evaluates bids by highest rebate. State agency must demonstrate to FNS satisfaction that the weighted average retail prices for different brands of infant formula in the State vary by 5% or less, Section 246.16a(c)(3)(iii)
- ☒ not applicable

**Please attach in the appendix supporting documentation for requests for FNS approval.**

#### **ADDITIONAL DETAIL: FOOD FUNDS MANAGEMENT APPENDIX**

and/or Procedure Manual cite:

**2. Cost Containment Contracts for Infant Formula**

**a. The State agency has a rebate contract/agreement for infant formula.**

- |                                         |                                                                                                                                       |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No                                                                                                           |
| If yes, attach contract in Appendix     | If no, check which applies:<br><input type="checkbox"/> granted waiver<br><input type="checkbox"/> ITO with participation under 1,000 |

**b. The State agency acquires infant formula through (check all that apply):**

- ☐ home food delivery system
- ☐ direct distribution food delivery system
- ☒ rebate retail food delivery system
- ☐ other (specify):

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### A. Cost Containment Measures

c. The duration of the contract or rebate agreement(s) in effect is:

**For a single-supplier system: Date contract/agreement:**

Manufacturer	Began	Expires	Extensions
Mead Johnson	10/01/02	09/30/05	up to 2 one year exts.

**For a multi-supplier system: Date contract/agreement:**

Manufacturer	Began	Expires	Extensions

d. The rebates and net price per can paid are:

Product	Manufacturer	Rebate/Unit	Net price/Unit	% Discount
<b>Liquid Concentrate</b>				
Milk-Based 13 oz				
<b>Enfamil</b>	<b>Mead Johnson (MJ)</b>	<b>2.9707</b>	<b>0.1093</b>	<b>96.4513</b>
<b>Enfamil Lipil</b>	<b>MJ</b>	<b>3.3179</b>	<b>0.1221</b>	<b>96.4513</b>
<b>Enfamil Low Iron</b>	<b>MJ</b>	<b>2.9707</b>	<b>0.1093</b>	<b>96.4513</b>
<b>Lactofree</b>	<b>MJ</b>	<b>3.0672</b>	<b>0.1128</b>	<b>96.4513</b>
Soy-based 13 oz				
Prosobee	<b>MJ</b>	<b>3.1057</b>	<b>0.1143</b>	<b>96.4513</b>
Other				
<b>Powder (specify unit size)</b>				
Milk-based				
Enfamil AR 14.3 oz	<b>MJ</b>	<b>9.8994</b>	<b>0.4906</b>	<b>95.2786</b>
Enfamil Lipil 12.9 oz	<b>MJ</b>	<b>10.2139</b>	<b>0.5061</b>	<b>95.2786</b>
Enfamil Low Iron 14.3 oz	<b>MJ</b>	<b>10.0900</b>	<b>0.5000</b>	<b>95.2786</b>
Enfamil Next Step 12 oz	<b>MJ</b>	<b>5.7834</b>	<b>0.2866</b>	<b>95.2786</b>
Enfamil 14.3 oz	<b>MJ</b>	<b>10.0900</b>	<b>0.5000</b>	<b>95.2786</b>
Lactofree 14.3 oz	<b>MJ</b>	<b>10.4325</b>	<b>0.5165</b>	<b>95.2786</b>
Soy-based				
Prosobee 14.3 oz	<b>MJ</b>	<b>10.8046</b>	<b>0.5354</b>	<b>95.2786</b>
Enfamil Next Step Soy 12 oz	<b>MJ</b>	<b>6.6123</b>	<b>0.3277</b>	<b>95.2786</b>
Other				
<b>Ready to Feed (specify unit size)</b>				

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### A. Cost Containment Measures

Milk-based				
Enfamil AR 32 oz	MJ	4.2618	0.1982	95.5556
Enfamil Lipil 32 oz	MJ	4.8351	0.2249	95.5556
Enfamil Low Iron 32 oz	MJ	4.3000	0.2000	95.5556
Enfamil 32 oz	MJ	4.3000	0.2000	95.5556
Lactofree 32 oz	MJ	4.2522	0.1978	95.5556
Soy-based				
Prosobee 32 oz	MJ	4.5771	0.2129	95.5556
Other				
Exempt Formula (specify):				

e. The percent of infants receiving each type of formula is estimated at:

<u>Type</u>	<u>Percent of Infants</u>
Milk-based liquid concentrate	23
Soy-based liquid concentrate	4
Milk-based powdered	57
Soy-based powdered	6
Milk-based ready-to-feed	0
Soy based ready-to-feed	0
Other infant formula (non-exempt includes milk-based lactose-free)	7
Exempt infant formula	3

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):**

3. The State agency's infant formula rebate contract contains the following provisions (check all that apply):

- ☐ Does not apply (granted waiver or ITO with participation under 1000)
- ☒ Establishes the contractor's responsibility to provide sufficient quantities of products covered by contract to all authorized WIC vendors in the State.
- ☒ Requires contractor to provide a rebate on all infant formulas it produces that the State agency chooses to issue, except exempt infant formulas

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### **A. Cost Containment Measures**

- ☒ Specifies that the rebate equals same percentage discount as the corresponding physical form (i.e., liquid concentrate) on wholesale cost as the rebate for which bids were received.
- ☒ Requires manufacturer to adjust for price changes subsequent to the bid opening. Inflation provision requires either a cent-for-cent increase in the rebate amounts whenever there is any change in the lowest national wholesale price for a full truckload of a particular infant formula.
- ☒ Specifies that the contractor shall pay the rebate in effect on the day the participant actually transacts the food instrument (regardless of the food instruments' issuance date).
- ☒ Requires payment of rebates on all infant formula purchased while contract is in effect, even though the contract may be void at the time payment is due.
- ☒ Requires contractor(s) to provide monthly or more frequent billing than quarterly billing.
- ☒ Requires advance payment of rebates, at least during the fourth quarter of each Federal fiscal year, to facilitate the State agency's cash flow situation.
- ☒ Stipulates sanctions for unfulfilled contract obligations (e.g., if payment is not made within 30 days of the invoice date, the contractor will pay the State agency with interest, at a rate specified in the contract, on the unpaid balance until such time as payment is made over and above the amount due from infant formula rebate.)
- ☒ Includes an extension option for a specified length of time. Terms and conditions of extension person(s) are specified in the request for bids and contract.
- ☒ Addresses billing discrepancies. Prohibits contractor from withholding rebate payments due under any circumstances. All disputes must be settled by closeout of the fiscal year in which the dispute occurred.

### **ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):**

#### **4. Cost Containment for Other Foods**

##### **a. Rebates are also obtained on other WIC foods.**

- ☒ Yes (specify foods and attach contract in Appendix): Infant Cereal
- ☐ No

##### **b. The State agency intends to pursue rebates on other authorized foods.**

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### **A. Cost Containment Measures**

☐ Yes (specify):  
☒ No

**c. To contain food costs, the State agency has limited authorized foods.**

☒ Yes (If yes, note such limitations on the following table)  
☐ No

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**

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### A. Cost Containment Measures

	Specific brands are designated/ Disallowed	Only certain container sizes are allowed	Allowable types are limited	Other
Exempt formula for women, infants & children				
Infant cereal				
Infant juice				
Whole fresh fluid milk	TLEB	1/2 or 1 gal.		
Lowfat fresh fluid milk	TLEB	1/2 or 1 gal		
Skim fresh fluid milk	TLEB	1/2 or 1 gal		
Cultured buttermilk	TLEB	1/2 gal		
Whole dry milk				
Lowfat dry milk				
Nonfat dry milk	TLEB	9.6, 25.6 and 65 oz boxes		
Other milks (e.g., UHT, Lactaid) (specify):	Lactaid, Dairy Ease	quart or 1/2 gal		
Cheese		1 and 2 lb		
Fresh eggs			A or AA large, medium or small;  no fertile, brown or free range	
Dried egg mix				
Hot cereal				
Cold cereal				
Single strength fruit/vegetable juice	TLEB	46 oz		

**VI. FOOD FUNDS MANAGEMENT****A. Cost Containment Measures**

<b>Frozen concentrated fruit/vegetable juice</b>	<b>TLEB</b>	<b>11.5 and 12 oz</b>		
<b>Peanut butter</b>		<b>18 oz</b>	<b>without jelly, honey candy; No reduced fat or peanut spread</b>	
<b>Dry beans/peas</b>		<b>1 lb</b>	<b>No seasoned</b>	
<b>Tuna</b>		<b>6 oz cans</b>	<b>chunklite packed in water; no albacore solid white</b>	
<b>Carrots</b>		<b>1 or 2 lbs fresh; or 14-16 oz cans</b>	<b>No baby or with tops</b>	



**VI. FOOD FUNDS MANAGEMENT**  
**B. Funds Monitoring/798 Reporting**

**B. FUNDS MONITORING/798 REPORTING**

1. **Indicate which of the following funding sources or credits (reduction to costs) are provided to the State agency:**

<b><u>Source</u></b>	<b><u>Projected Amount</u></b>	<b><u>Time Period Covered</u></b>
Federal grant	\$388,466,101	FFY 03
Rebates	\$184,000,000	FFY 03
Program Income	\$	
Vendor collections	\$1,800,000	FFY 03
State appropriation		
food	\$	
administrative	\$	
State contingency appropriation		
food	\$	
administrative	\$	

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):**

2. **The State agency has procedures to assure that the requirements are met regarding the nonprocurement of food in bulk lots, supplies, equipment and other services from entities which have been debarred or suspended.**

☒ Yes ☐ No

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):**

**3. Food Cost Obligations**

- a. **The State agency calculates food obligations based on the following data which estimates volume and cost (check one):**

- ☐ number of expected participants and average food cost per participant  
☐ number of expected participants by category (e.g., pregnant woman, infant, etc.) and average food cost per participant category  
☒ number of expected redemptions by food instrument type and average value per food instrument type  
☐ other (specify):

## **VI. FOOD FUNDS MANAGEMENT**

### **B. Funds Monitoring/798 Reporting**

- b. The State agency estimates the impact of inflation on food costs through the use of the following inflation escalators:**

- ☒ Inflation factor used in Federal funding formula
- ☐ State-generated estimates of inflation based on State market basket of foods
- ☐ Best guess by food item based on economic reports or other sources
- ☒ Other (specify): Current and historical inflation in Texas

- c. The State agency ADP system automatically produces a monthly obligation amount**

- ☒ Yes
- ☐ No, data are pulled from various sources and an estimated amount is calculated manually or with a PC spreadsheet
- ☐ Other (specify):

- d. The State agency system (in-house or contracted) provides the following data on food instrument redemptions at specific (daily, weekly, monthly, as needed) frequencies (check all that apply and provide frequency):**

<u>Frequency</u>	<u>Data</u>
monthly	food instruments paid for issue month
monthly	food instruments outstanding for issue month
when needed	food instruments which have expired
when needed	food instruments which are void/unclaimed

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**

#### **4. Rebate Cash Management**

- a. The State agency bills infant formula companies for rebates based on:**

- ☐ actual number of units issued
- ☒ actual number of units listed on redeemed food instruments
- ☐ estimate of actual number of units purchased
- ☐ actual number of units purchased
- ☐ combination of actual units purchased and number of units listed on redeemed food instruments
- ☐ market share information
- ☐ other (specify):

## **VI. FOOD FUNDS MANAGEMENT**

### **B. Funds Monitoring/798 Reporting**

- b. The State agency reduces the invoice to allow for an "error rate" for infants not receiving all formula prescribed or for accidental redemption of noncontract formula**

☐ Yes, the error rate is  
☒ No

- c. The State agency uses a food instrument which enables it to identify the type and brand of infant formula redeemed.**

☒ Yes, for all formula types, brands, and physical forms  
☐ Yes, for exempt infant formulas  
☐ No

- d. The invoice to the formula manufacturer is issued by:**

☐ the WIC unit                      ☐ the State agency fiscal unit  
☒ other (specify): Financial Management Division, Bureau of Support Services,  
Associateship for Family Health

- e. Monthly rebate invoice contains data backing up invoice.**

☐ Yes                      ☒ No

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**

#### **5. Closeout of Report Month Outlays**

- a. The State agency allows the food vendor the following number of days to submit food instruments for payment (provide the number of days):**

**59** days from the participant's first valid date

- b. The State agency is generally able to close out a report month completely within:**

☐ 90 days  
☐ 120 days  
☒ other (specify number of days): **150 days (amended 6/03 as a result of  
observation in FFY '02 Fin. Review)**

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**

**VI. FOOD FUNDS MANAGEMENT**

**B. Funds Monitoring/798 Reporting**

- 6. Indicate the method used to reimburse vendors for redeemed food instruments or other services and specify the entity responsible for making payment:**

State WIC	State FM	Other (Specify)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by check directly to vendor
<input type="checkbox"/>	<input type="checkbox"/>	by check directly to vendors' bank
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	by electronic transfer to vendors' bank
<input type="checkbox"/>	<input type="checkbox"/>	other (specify):

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**

## **VI. FOOD FUNDS MANAGEMENT**

### **C. Participation Reporting**

#### **C. PARTICIPATION REPORTING**

##### **1. Participation Counting**

- a. The State agency counts a participant as an enrollee who received at least one food instrument (or was the breastfed infant of a participating breastfeeding woman) during:**

☒ the calendar month                      ☐ the computer system cycle month  
☐ other (specify):

- b. The State agency receives participation counts from:**

☒ the State agency computer system based on food instruments issued to participants (manual and automated food instruments) and number of breastfed infants of participating breastfeeding women  
☐ counts reported from local agencies based on issuance records  
☐ other (specify):

- c. If State funds are present, the State agency differentiates between Federal-supported and State-supported participants by:**

☐ special code on food instrument  
☐ special areas of State designated as State-supported  
☐ pro rata allocation based on proportion of Federal to State funds spent  
☐ other (specify):

- d. When local agencies are chronically late in furnishing food instrument and/or certification data needed for participation counts, the State agency:**

☒ sends warning                      ☐ applies financial sanction  
☐ requires manual reporting        ☐ other (specify):

**ADDITIONAL DETAIL: Food Funds Management Appendix and/or Procedure Manual (cite):**

##### **2. Participation by Priority**

- a. Priority level is a critical data field in the State agency's computer system.**

☒ Yes                      ☐ No

## **VI. FOOD FUNDS MANAGEMENT**

### **C. Participation Reporting**

- b. The State computer system automatically assigns priority level based on the enrollee's nutritional risk condition.**

☒ Yes ☐ No

- c. The State agency's computer system revises the priority level determination when a participant changes category (e.g., infant becomes child and receives a child's food package).**

☒ Yes ☐ No

- d. The State agency has an "unknown" priority category for VOC transfers where priority is unknown.**

☐ Yes ☒ No

**ADDITIONAL DETAIL: Food Funds Management Appendix  
and/or Procedure Manual (cite):**